



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

November 10, 2003

S. 1824

Overseas Private Investment Corporation Amendments Act of 2003

As ordered reported by the Senate Committee on Foreign Relations on November 6, 2003

SUMMARY

S. 1824 would extend through 2007 the authority of the Overseas Private Investment Corporation (OPIC) to issue political risk insurance and to finance investments in developing countries and emerging market economies. The bill would clarify that the term “expropriation” would include actions by political subdivisions or a foreign government or corporations owned by or controlled by foreign governments. It also would authorize OPIC to issue guarantees in local currencies, and it would require OPIC to report to the Congress on the effectiveness of its activities to reach businesses owned by women and minorities. OPIC’s authority would be limited to such amounts as may be provided in advance in appropriations acts. CBO estimates that implementing the bill would cost \$146 million over the 2004-2008 period, assuming the appropriation of the necessary funds. The bill would not affect direct spending or receipts.

OPIC is a government corporation authorized to encourage private-sector investment in developing countries and emerging market economies. It insures investments against the risk of losses due to expropriation, inconvertibility of currencies, and war or political violence. In addition, OPIC finances investments through guaranteed and direct loans. OPIC is largely self-financing. Its noncredit program earns income from investments in government securities and insurance operations.

S. 1824 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1824 is shown in the following table. The estimate assumes that the bill will be enacted before the end of calendar year 2003, that funds and authority will be provided in annual appropriation acts near the start of each fiscal year, and that outlays will follow historical spending patterns. The costs of this legislation fall within budget function 150 (international affairs).

	By Fiscal Year, in Millions of Dollars					
	2003	2004	2005	2006	2007	2008
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law for OPIC						
Estimated Authorization Level ^a	-209	-233	-245	-266	-282	-297
Estimated Outlays	-213	-218	-232	-257	-277	-294
Proposed Changes						
Estimated Authorization Level ^b	0	27	35	47	58	36
Estimated Outlays	0	3	14	31	46	53
Spending Under S. 1824 for OPIC						
Estimated Authorization Level ^a	-209	-206	-210	-219	-224	-261
Estimated Outlays	-213	-215	-218	-226	-231	-241

NOTE: OPIC = Overseas Private Investment Corporation.

- a. The 2003 level is the amount appropriated for that year plus the estimated amount of offsetting collections in OPIC's noncredit account. A full-year appropriation for fiscal year 2004 has not been enacted for OPIC; the amounts shown here assume limited funding to permit OPIC to continue servicing its outstanding insurance and credits and to receive offsetting collections.
- b. The estimated authorization level assumes the 2003 funding level adjusted for inflation through 2007. Funding at the 2003 level over that period would lower outlays by \$21 million over the 2004-2008 period.

BASIS OF ESTIMATE

In 2003, OPIC received appropriations of \$40 million for administrative expenses and \$24 million for the cost of credit as defined by the Federal Credit Reform Act. Funding for 2004 has not been enacted. The estimated spending under current law assumes that OPIC continues to service its outstanding insurance and credits and to receive collections on its investments in U.S. securities, but that it issues no new insurance or finances no new investments after September 30, 2003. (Interest on existing securities brings in collections of more than \$230 million a year to the OPIC account; but those collections are offset by interest paid elsewhere in the federal budget.) CBO assumes that administrative expenses

under current law would be gradually reduced to a minimum rate necessary to service outstanding insurance and credits.

CBO assumes that under S. 1824 OPIC would continue to issue insurance over the 2004-2007 period and that funding for administrative expenses and the cost of credit would be provided in annual appropriations acts at the 2003 level adjusted for inflation through 2007 since a full-year appropriation has not been enacted. Based on information from OPIC, CBO estimates that the new reporting requirement and local-currency guarantees would not significantly affect the costs of OPIC's operations. Thus, enacting the bill would continue the policies that are assumed in CBO's baseline through 2007. Because the bill would extend OPIC's authorities through 2007 only, we estimate that funding in 2008 would only be needed for the administrative expenses of servicing outstanding insurance and credits.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1824 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

PREVIOUS CBO ESTIMATE

On September 30, 2003, the CBO transmitted an estimate for H.R. 3145, the Overseas Private Investment Corporation Amendments Act of 2003, as ordered reported by the House Committee on International Relations on September 25, 2003. The two bills are identical, as are their estimated costs.

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